SUSTAINABLE AGRICULTURAL DEVELOPMENT: THE ROLE OF INTERNATIONAL COOPERATION

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Agricultural Policy and Structural Adjustment in Cameroon

INTRODUCTION

By comparison with most Sub-Saharan African (SSA) countries Cameroon was a latecomer to structural adjustment.[1] While such countries as Côte-d'Ivoire, Togo, Guinea, Senegal, Ghana, Benin, Nigeria and Zaire, had embarked on a structural adjustment programme during the early and mid-1980s with or without the support of the World Bank and IMF (International Monetary Fund), Cameroon did not sign a stand-by arrangement with the Fund until September 1988 and a structural adjustment loan (SAL) until June 1989.

The reason is that, by SSA standards, Cameroon was considered an island of prosperity until 1989. The country's GDP grew at 4.8 per cent in real terms during the period 1960–78 and at the impressive rate of 8.2 per cent between 1978 and 1986. Agriculture was the major factor in this growth between 1960 and 1978: agriculture's share in GDP and exports averaged 30 per cent and 74 per cent, respectively, during the period. When Cameroon became an oil producer in 1978, agriculture's share declined to 22 per cent of GDP and 51 per cent of exports. Overall, the growth of the agricultural sector is thought to have averaged at least 3.8 per cent since independence, the transformation of agricultural products has constituted the point of departure for industrialization, and Cameroon is one of the few countries in the region to have achieved virtual food self-sufficiency essentially because the government has not intervened in the food sub-sector.

Since 1986, however, Cameroon has been trapped in a deep economic and financial crisis. GDP declined by more than 15 per cent between 1987 and 1990 and, for the first time in the country's history, government operations recorded a large deficit of CFAF 508 billion, equivalent to 12 per cent of GDP. Although the immediate cause of the decline was external stocks, the sudden collapse of the economy also brought to the surface a number of internal structural problems which had been in existence for some time, but which had been concealed and indeed aggravated by the fortuitous oil boom. These structural problems include an overgrowth of public expenditures and a crisis in public finance, a high domestic cost economy, and a stagnant and non-competitive industry in both the international and domestic markets. In agriculture, notwithstanding the overall satisfactory performance, there has been very limited technical change and a virtual stagnation of agricultural exports. These problems have been

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attributed to a hostile macro-economic, institutional and regulatory environment and to a bad conception of the relative roles of the public and private sectors.

The structural adjustment programme (SAP) is a response to the country's structural problems and external shocks. Given the fixed parity of the CFA franc *vis-à-vis* the French franc (CFAF 50 = 1FF), external adjustment through devaluation is not possible without the agreement of the other member-countries. Instead the SAP is based on internal adjustment, with emphasis on increased competition, efficiency and a reduction of costs and prices in the economy.

This study first demonstrates the failure of existing policies and the need for policy reform in Cameroon, with special emphasis on agriculture, and then evaluates the achievements and prospects of reform so far under the SAP. Since the SAP is essentially a macro-economic programme involving an overlapping between macro-economic and sectoral reforms, adjustment in agriculture is analysed within an economy-wide context. Also in the study agriculture is conceived in a broad sense to include agro-industry. The rest of the study is divided into four sections: a review of the existing policy framework and its logic; analysis of the consequences and constraints of existing policies; assessment of the SAP reform; and description of the current state-of-play.

THE EXISTING POLICY FRAMEWORK

The SAP is basically a policy reform programme of the existing policy framework that has been in operation in Cameroon practically since independence and, in some cases, since the colonial period. The existing policy framework has been characterized by two central features: (1) direct, extensive, but inefficient state interventionism in the production and distribution of goods and services, and (2) a system of incentives, controls, regulations and practices that have produced widespread distortions in the country's macro-economic, institutional, and regulatory environment.

Direct state intervention

There has been direct state intervention in the production and distribution of goods and services. Many forms of direct state intervention in Cameroon had their origin during the colonial period. After independence state interventionism was significantly re-enforced and extended, on the conviction that such intervention was necessary for, and in fact synonymous with, rapid development.

The rationale for state intervention

The creation of public enterprises (PEs) in Cameroon has been officially justified on economic and moral grounds and its rationale may be summarized as follows. First, a number of sectors or activities have been considered as strategic because they are seen as being of national or collective interest and therefore should not be left to the private sector. However the term 'strategic' has often been loosely defined to include not only activities of a strictly national or social character (such as public utilities, petroleum and mining), but also activities of a doubtful strategic importance (see below). Second, the Cameroon private sector has been considered to be still at an embryonic stage and therefore incapable of mobilizing the capital, technology and management skills required for investment purposes, at least not in some sectors such as manufacturing. Third, there has been a long-standing prejudice against the private sector, especially by government officials, who consider private traders as unorganized and inefficient (since they operate in numerous small units) or as downright unscrupulous and exploitative of ordinary citizens. Fourth, PEs have been created to sustain the government's import-substitution strategy (see below). Fifth, especially in agriculture, PEs were to act as extension institutions aimed at inducing technical change among small farmers. Sixth, PEs have also been created to enable the state to earn badly needed revenue. Seventh, as we shall see, many PEs in Cameroon, at least until the mid-1970s, were created with the blessing of aid donors who, in many cases, helped finance their operations.

However, in addition to economic motives, state intervention has also been dictated by political imperatives. In Cameroon, as in many SSA countries, the legitimacy and survival of the political leadership and the regime have been crucially dependent upon the support of the elite (which constitutes the group most likely to challenge that legitimacy). The public and parastatal sectors have therefore been used as patronage (in the form of over-staffing, promotions, high wages, fringe benefits and corrupt use of office without accountability and sanctions) to buy that support.

The extent of direct state intervention

An inventory of PEs shows that between 1960 and 1990 a total of exactly 200 PEs were created, of which 120 are still in activity, 61 have been closed and the status of the remaining 19 is unknown (Development Finance Consultants, 1990).[2] In terms of sectoral distribution of the 200 PEs created, 40 were in the primary (agricultural) sector, 57 in the secondary sector, 88 in the tertiary sector (including financial institutions) and 15 were unclassified. Almost 50 per cent of the labour force of PEs is employed in agriculture.[3] The share of PEs in total GDP was 18 per cent in 1985/6 (ibid., p.22).

The legal basis for direct state intervention was provided by the law of 1963 creating the *Société Nationale d'Investissements* (SNI), a public holding with a current portfolio of 63 companies, and by the decree of 1968 on development companies (*sociétés de développement*), and development missions (*missions de développement*), the large majority of which have been agricultural PEs. The agricultural PEs have had widely varying legal forms and have intervened in a vast number of activities. A list of the major agricultural PEs is given in Table 1, showing the year of creation, the main domain of activity, and institutional status.[4] As can be seen from the table, the majority of PEs were created during the decade 1968/78, when the majority of donors apparently still had great faith in the direct role of the state.

Despite their organizational complexity, the agricultural PEs may be classified, on the basis of their activity, into four broad categories. One category covers agro-industries producing such products as sugar, palm oil, rubber, refined cotton, timber, plywood and paper pulp. A second category is rural

TABLE 1 *List of major PEs, by activity, external financing and institutional status*

Public enterprise	Year	Major agric. activity	External funding	Institutional status
WADA	1962	Coffee, rice	FRS	Integrated devt.
SCT [a]	1964	Tobacco	MNC	Agro-industry
COCAM	1966	Timber, plywood	MNH	Agro-industry
SOCAPALM	1968	Palm-oil	IBRD, CCCE	Agro-industry
CREVCAM	1968	Shrimps	MNC	Agro-industry
CENADEC	1969	Cooperative	CARE	Rural devt.
SODENKAM	1970	All crops	FAC	Integrated devt.
SEMRY	1971	Rice	CCCE, FED	Rural devt.
SCS	1971	Textiles	CCCE, FAC	Agro-industry
FONADER	1971	Credit, marketing	—	Financial inst.
ZAPI EST	1972	All crops	IBRD	Integrated devt.
CDC [a]	1973	Rubber palm-oil	IBRD, CCCE	Agro-industry
OCB	1973	Bananas	—	Agro-industry
MIDEVIV	1973	Marketing	USAID	Rural devt.
SODEPA	1974	Cattle	—	Rural devt.
SODECOTON	1974	Cotton	MNC	Agro-industry
SODECAE	1974	Cocoa	IBRD, CCCE, ADB	Rural devt.
HEVECAM	1975	Rubber	UA, CCE	Agro-industry
CAMSUCO	1975	Sugar	MNC	Agro-industry
SODEBLE	1975	Wheat, maize	S. Arabia	Agro-industry
OFFICE C.	1975	Cereals	WFP	Rural devt.
SOFIBEL	1975	Timber, plywood	MNC	Agro-industry
CELLUCAM	1976	Paper pulp	MNC	Agro-industry
ONCPB [a]	1976	Marketing	FED, CCCE	Rural devt.
SODERIM	1977	Rice	IBRD, CCCE	Rural devt.
UNVDA	1978	Rice	FAC	Rural devt.
CENADEFOR	1981	Forestry invest.	CIDA	Public agency
ONDAPB	1981	Poultry	—	Rural devt.
MIDENO	1982	All crops	IFAD, FED	Integrated devt.
ONAREF	1982	Forestry regen.	CIDA	Public agency

Note: [a] Created during colonial period and nationalized or restructured after independence.

Source: Table constructed from individual PE information files.

development-oriented and includes institutions providing extension to farmers growing a specific crop (such as rice, cocoa or coffee); integrated rural development projects; and institutions providing a wide range of other services such as credit, mechanization, and support to farmer cooperatives. Some agro-industries (CDC, SOCAPALM and HEVECAM) also have a rural development component with out-grower's schemes designed to facilitate the transfer of technology to small farmers. State control of cooperatives has reached the point where they are run by government officials in an attempt to keep political power centralized and to use cooperatives as a source of patronage distribution. Furthermore, as we shall see, the PE extension system has largely duplicated and overlapped with the existing traditional extension system of the Ministry of Agriculture.

A third category consists of marketing PEs. The National Produce Marketing Board (ONCPB), which had its origin in the colonial period, has been the main instrument of state intervention in the marketing of cocoa and coffee, the country's traditional export crops.[5] As we shall see below, through marketing, ONCPB has also assumed the functions of stabilization of producer prices, the taxation of farmers and the financing of development. Other state interventions in agricultural marketing have been in the context of inputs and local foodstuffs. Fertilizer, pesticides and small equipment have been subsidized to small farmers since 1973, but, since the demand for subsidized inputs far exceeded supply, a centralized system for input acquisition and distribution was set up to enable the rationing of inputs. The system was managed by a credit institution, the National Fund for Rural Development (FONADER), financed by ONCPB up to 1988, and subsequently from oil revenues. The State has also intervened in foodstuff marketing through the Food Marketing Mission (MIDEVIV). Suspecting that marketing by small traders was inefficient, MIDEVIV sought to reduce marketing costs and therefore urban food prices. A fourth category consists of PEs in the forestry sub-sector. The National Regeneration Office (ONAREF) and the National Centre for Forestry Development (CENADEFOR) have been respectively responsible for forestry regeneration and inventories.

The macro-economic and institutional environment

In addition to direct state intervention, the existing policy framework has also been characterized by a distorted and inappropriate macro-economic, institutional and regulatory environment which has constrained development both within and outside agriculture. The distortions have arisen from a wide range of policies and practices related to trade, investment, pricing, price and wage controls, taxation, legislation, governance, relations between the public and private sector, and so on. In the context of this paper the discussion will be limited to those distortions which are of greater relevance to agriculture.

Cameroon's trade policies have had important consequences for the agricultural and industrial sectors and more than 50 per cent of the industrial sector's value added is in agro-industry. The country's trade policy was dominated by an import-substitution strategy which required high levels of non-tariff and tariff protection of domestic production aginst imports. Non-tariff protection has mainly been in the form of quantitative restrictions (QRs) on imports and of import licences. All products designated as 'sensitive' or 'strategic' were subject to QRs. Regulations affecting Cameroon's international trade are set out in the *Programme Général des Echanges* (PGE) and in the 1988 PGE a total of 156 products were subject to QRs. All imports have been subject to import licences. Additional customs and fiscal advantages have been granted through the investment code and special protection regimes through the context of regional arrangements.[6] Imported finished products are subject to very high tariffs.[7]

Price controls have been applied to most goods and services, exclusive of foodstuffs produced locally by small farmers but inclusive of rice and maize. Domestic prices were either fixed or officially approved on a cost-plus basis with a fixed profit margin of 12 per cent above production costs. Wages are also controlled through the labour code, which fixes minimum wage rates for all categories of workers according to formal training received, regional location and sector of the economy, using civil service salary scales as a reference. Given the high rate of unemployment, labour has been over-priced; wages are rigid and rarely linked to productivity, and the code is highly protective of the worker's employment.[8]

As we have seen, the state has intervened, through ONCPB, in the pricing of cocoa and coffee and this has also been distortionary. State intervention has amounted to direct and indirect taxation of agricultural output with the tax partially offset by input subsidies on inputs (fertilizer, pesticides and small equipment) and other government expenditures in agriculture. Effective rates of taxation have been high overall, despite large variations from year to year due to fluctuations in world prices. Direct taxation has been in the form of export duties and indirect taxation in the form of withdrawals by ONCPB originally intended for stabilization purposes. The over-evaluation of the CFA franc relative to other currencies has also amounted to an indirect taxation of agricultural exports. Table 2 gives the evolution of producer prices for cocoa and robusta and arabica coffee in terms of percentage shares of FOB prices as a general indication of the rate of taxation. During the period 1960/70, the producer's share in FOB prices was 51.2 per cent for cocoa, 69.7 per cent for robusta, and 80.7 per cent for arabica. In 1970/7 they had declined to 39.8 per cent, 41.5 per cent and 51 per cent, respectively, as the government became increasingly in need of funds with which to finance its development programmes. From 1978, the producer's share was increased for cocoa and robusta, reaching a peak in 1988/9 before falling in 1989/90 when producer prices were severely reduced to adjust to the collapse of world commodity prices since 1985/6. The significant increases in the producer's share from 1978 were possible due to the fact that Cameroon became an oil producer that same year and could then afford to lighten the burden on agriculture.

While part of the tax on cocoa and coffee has been returned to agriculture in the form of input subsidies and other government expenditures, a substantial part has been used to cover budgetary expenditures outside agriculture.[9]

TABLE 2 *Cameroon cocoa, coffee robusta, coffee arabica production and prices (production in 000s mt and prices in CFAF/Kg)*

	1960–70	1970–77	1978–88	1988–89	1989–90
Cocoa					
Av. annual production	87.2	107.2	116.9	104.4	115.0
Av. annual producer price	68.7	109.2	349.0	435.0	250.0
Av. annual FOB price	134.2	274.5	770.9	527.1	423.4
Producer price/FOB price (%)	51.2	39.8	45.3	82.5	59.0
Robusta coffee					
Av. annual production	42.8	63.1	84.3	103.3	100.0
Av. annual producer price	107.4	140.0	370.0	455.0	175.0
Av. annual FOB price	154.0	337.3	857.5	501.6	403.9
Producer price/FOB price (%)	69.7	41.5	43.1	90.7	43.3
Arabica coffee					
Av. annual production	17.6	26.6	21.8	21.7	20.0
Av. annual producer price	180.8	206.6	409.0	497.5	250.0
Av. annual FOB price	223.9	405.0	896.0	763.2	610.0
Producer price/FOB price (%)	80.7	51.0	45.6	65.2	41.0

Sources: Ministry of Agriculture/DS; ONCPB.

CONSEQUENCES OF EXISTING POLICIES

The poor performance of public enterprises

Owing essentially to the politicization of PEs and their use for political patronage, the lack of autonomy and accountability in management and the inappropriate macro-economic and institutional environment, the performance of both financial sector and non-financial sector PEs has been generally unsatisfactory. First, the PEs have contributed directly, as well as indirectly, to the crisis in public finance: directly through state operating and investment subsidies to PEs and also through the servicing of external guaranteed debt by the state in the place of PEs in difficulty; and indirectly through default in the payment of taxes by most PEs. Considering only PEs still in activity today, subsidies to PEs stood at CFAF 32 billion in 1983/4, 69 billion in 1984/5, 68 billion in 1985/6 and 98 billion in 1986/7. Following the crisis in public finance, subsidies had to be cut to 13 billion in 1987/8 and 17 billion in 1988/9 (Development Finance Consultants, 1990, p.23). Second, PEs have also been a burden to the rest of the economy through their indebtedness to banks and suppliers. The total indebtedness of PEs in activity stood at CFAF 1030 billion in 1988/9 (ibid., p.7).

Third, state intervention in agricultural marketing has been largely inefficient and inadequate. The ONCPB marketing system has been costly both in terms of the ONCPB structure itself (for example its personnel costs increased from CFAF 1.3 billion in 1978/9 to 7.3 billion in 1986/7, without any increase in the volume of produce handled (AGRER, 1988, p.25)) but also, in terms of the marketing system, licensed private buyers have a monopoly in their zone of purchase and are remunerated on the basis of the scale which represents administratively determined marketing costs and profit margins. Furthermore, the rigidity of the stabilization system has proved to be ill-adapted in times of high international price instability and has recently resulted in the heavy deficits of the cocoa and coffee crop industries. Equally important, the existence of heavy stabilization reserves in the past often resulted in the temptation to misuse the funds. Indeed, when world market prices for cocoa and coffee collapsed in 1985/6, ONCPB could not play its stabilization role because its reserves had been squandered. The inefficiency of state marketing is also evident in the marketing of foodstuffs and inputs; in both cases marketing costs have been higher than for private traders, and in the case of inputs farmers have had to face the additional problem of late delivery. As a result MIDEVIV abandoned food marketing in 1984 and the government also decided to privatize fertilizer marketing in 1987 (even before the SAL was signed).

Fourth, the PE extension system has superimposed itself on the existing, traditional extension system of the Ministry of Agriculture, resulting in two parallel and overlapping systems and in a waste of resources.[10] Fifth, state control of cooperatives has undermined their effectiveness: most became bankrupt and also have not represented the interests of their members – especially not the farmers. Sixth, in the forestry sub-sector not only did the costs of ONAREF and CENADEFOR become unbearable but the rapid pace of forestry exploitation without adequate regeneration threatens the country ecosystem and yet government revenue from the sub-sector has been far below potential. Seventh, the proliferation of PEs in agriculture created a bias against the smallholder sub-sector and in favour of the large-scale plantation sub-sector. For example, during the period 1971/80, 60 per cent of agricultural investment resources were concentrated on PEs (Ministry of Agriculture, 1980, pp.III and 9) which produced only 10 per cent of total agricultural output (p.X).

The overall consequences of macro-economic distortions

The distortions in the macro-economic, institutional and regulatory environment have had severe consequences for Cameroon's industrial and commercial development, both within and outside agriculture. First, the problem with inward-looking policies underscored by an import-substitution strategy is that it has reduced the competiveness of Cameroon's industry in the world market. High rates of protection, coupled with the cost-plus system of price controls, have discouraged competition and resulted in monopolistic and oligopolistic market structures which allow producers to operate with higher costs and higher prices than would be the case without protection and price controls, thus making it difficult for producers to sell in the international market. At any rate producing for export at world market prices is less profitable than producing for a protected domestic market where prices are raised by tariff and non-tariff protection. Second, since the non-tariff protection afforded by the PGE and the incentives provided by the investment code have been granted on a discretionary basis (often with little regard to the contribution of the proposed activity to the domestic economy), the system of protection has tended to distort the pattern of investment and to direct scarce resources into inefficient activities simply because they receive higher protection. The distortions in the pattern of investment have been further aggravated by duty exemptions on imported inputs and low duty on imported capital goods, as well as by the over-pricing of labour. They have encouraged investment in capital-intensive activities and resulted in the poor utilization of local resources and in limited vertical integration of economic activity. Third, the system of non-tariff protection requires extensive bureaucratic procedures, has been too complex to administer, and the monitoring of its impact has been difficult. Moreover, high rates of protection have resulted in incentives for fraud and abuse and the situation is not helped by Cameroon's long open frontiers across which there has been a lot of smuggling. Fourth, the limited size of the domestic market effectively limits the quantity of imports that can be substituted and the potential for achieving economies of scale. Thus a tiny domestic market and limited access to international markets have reduced the resources available to fund further industrialization. Fifth, non-tariff protection has reduced tax revenue to the state and imposed higher costs of living on consumers. Sixth, pricing policies of cocoa and coffee have partly accounted for the general stagnation of cocoa and coffee production since the 1970s (see Table 2). Cocoa production, which averaged 114 metric tons in 1970/5 was 119 in 1985/90; robusta increased from 65 to 95 metric tons, and arabica declined from 29 to 19.6 metric tons during the same period.

THE STRUCTURAL ADJUSTMENT PROGRAMME

The need for structural adjustment

The key macro-economic indicators presented in Table 3 reveal the structural weaknesses of the Cameroon economy and the need for an adjustment programme. The impressive GDP growth of 8.2 per cent in real terms in the period 1980/6 was due to, and coincided with, the oil boom which, indeed, concealed the country's structural problems. Following the external shocks of 1985/6, in the form of the collapse of world prices for Cameroon's major export commodities (oil, cocoa and coffee) which resulted in a 47 per cent deterioration in the terms of trade, the country fell into a deep economic and financial crisis. The oil boom resulted in an over-growth of public expenditures, resulting in an unprecedented deficit in the government budget of CFAF 501 billion in 1986/7, equal to 12 per cent of GDP, compared to a surplus of 2.4 per cent the year before. The deficits were financed essentially through an increase of the external and internal indebtedness. Reductions in domestic demand due to the decline in the purchasing power of the population have aggravated the fiscal deficits by reducing the effective tax base which the government has been unable to compensate for through expenditure reduction measures.

As far as agriculture is concerned, it is difficult to judge performance on the basis of growth in sectoral output, owing to the unreliability of agricultural data in Cameroon (especially for foodcrops). We have already discussed the general stagnation of cocoa and coffee production, which accounts for some 80 per cent of agricultural exports, due to pricing policies and more recently to the decline in world prices and to increasing competition from foodcrops. The PE sub-sector (producing cotton, rubber, palm oil, rice, sugar and so on) despite moderate increases in output, contributes only marginally to exports (less than 10 per cent). The country's greatest achievement in agriculture is undoubtedly its food self-sufficiency; annual growth in food production is thought to have averaged 4 per cent since independence, essentially because the government has not intervened to control food prices (which have been determined by market forces) and also because the country's climatic diversity has permitted the production of a wide variety of foodcrops. Nevertheless, despite past performance, there are serious doubts about Cameroon's ability to sustain its food self-sufficiency. As a result of the elitist educational system and the expansion of the public and parastatal sectors, there has been rural to urban migration of young school leavers, looking for office jobs. This has resulted in massive urban unemployment and in the relative decline and aging of the agricultural population (the average age in agriculture increased from 45 in 1972 to 46.7 in 1984) (Agricultural Censuses of 1976 and 1987). This in

TABLE 3 *Key macro-economic indicators of performance*

	1965–75	1980–86	1986–87	1987–88	1988–89	1989–90
GDP growth (%) (real)	2.3	8.2	–4.7	–13.5	2.2	–2.8
Oil industry	—	23.5	–0.2	–69.0	–53.0	–5.6
Agriculture	4.6	1.9	7.5	2.3	1.6	–5.1
Industry	4.4	15.8	–5.6	–7.1	–11.0	–6.9
Service	0.2	4.6	–4.6	–10.1	–2.0	–7.4
GDP sectoral shares	100	100	100	100	100	100
Oil industry	—	14.7	6.3	6.3	6.2	7.6
Agriculture	32.7	23.6	24.6	25.8	26.9	26.6
Industry	20.3	21.0	22.3	22.3	20.8	20.2
Service	47.0	40.7	46.8	45.6	46.1	45.5
Govt. budget surplus/deficit (% GDP)	—	2.4	–12.0	–6.4	–4.3	–7.2
Current account balance (% GDP)	—	–5.2	–9.2	–8.2	–2.9	–2.3
Public debt to GDP (%)	—	20.9	29.7	36.0	40.2	41.8
Agr. exports (% share of total)	77	35.8	42	48	49	50

Sources: IMF Article IV consultation April, May 1990; World Bank SAL Memorandum to Executive Directors, 16 May 1989, Annex 1.

turn has constrained the expansion of the area under cultivation as well as technical progress in agriculture, which has been limited to cereals (maize, rice, millet and sorghum), while rootcrops (especially cassava and cocoyam) have suffered from declining yields.

The programme and its objectives

The Cameroon SAP is supported by a World Bank structural adjustment loan (SAL) approved in July 1989 in the amount of US 150 million dollars, to be disbursed in three tranches. The SAL was also preceded by an 18-month stand-by arrangement with the IMF, approved in September 1988, equivalent to SDR 69.5 million and a purchase of SDR 46.4 million under the compensatory financing facility. The SAP is also supported by other donors, notably the African Development Bank and the French through the CCCE (Caisse Centrale de Coopération Economique).

The SAP is a comprehensive reform of the existing policy framework and a response to Cameroon's structural problems and external shocks. Given the fixed parity of the CFA franc *vis-à-vis* the French franc, the possibility of external adjustment through currency devaluation is excluded; therefore the Cameroon SAP is based on internal adjustment. More specifically the SAP aims at (1) redefining the role of the state away from direct intervention in the production of goods and services towards greater reliance on markets and the private sector; (2) removing the distortions in the macro-economic, institutional and regulatory environments by introducing simplicity and neutrality in the pattern of relative incentives and reducing the anti-export bias; (3) strengthening the country's economic management; and (4) ultimately restoring the major macro-economic equilibria (including a balanced budget, a positive current account balance, a bearable level of indebtedness and a positive growth in GDP).

STATE-OF-PLAY OF REFORMS UNDER THE PROGRAMME

Limitation of state intervention

Under the programme efforts to reduce direct state intervention have centred on PE and financial sector rehabilitation. In the case of non-financial sector PEs, the strategy has been to maintain in the state portfolio only PEs that are strategic, and to disengage from those that are not, either through privatization or liquidation, although PEs with dubious strategic importance have also been maintained in the state's portfolio. So far, of the 67 PEs on which decisions have been taken 28 are maintained in the state's portfolio to be restructured, 21 have been (or are being) liquidated and 18 are under privatization. Similarly, out of 14 financial institutions (commercial banks and specialized development institutions) 4 have been liquidated, 1 has been transformed and 2 have been fused; furthermore, the state has withdrawn as the majority shareholder from the largest four commercial banks.

In the agricultural sector, the disengagement of the state has been especially significant in the areas of marketing, extension and forestry. The internal and external marketing of cocoa and coffee have been liberalized and ONCPB has been severely reduced from a structure of 3800 employees to one of 500 – the *Office National du Café et Cacao* (ONCC). One of ONCPB's functions, that of financing development activities, had already been discontinued in 1988, when the institution became bankrupt. It is hoped that liberalization will substantially reduce marketing costs and result in a higher residual for the farmer, given that producer prices were slashed by about 50 per cent in 1989, following the collapse of world market prices in 1985/6. Similarly, MIDEVIV marketing of foodstuffs was abandoned in 1984; since 1987, the USAID has been assisting the government in establishing a private marketing system for fertilizer; MIDEVIV is also in the process of privatizing its seed multiplication operations.

Furthermore, there has been a general disengagement of the state from extension and rural development activities. There has been a move away from the intensive and expensive PE extension system to the less expensive system of the Ministry of Agriculture which has involved, or will involve, the liquidation of many extension PEs such as SODECAO, SEMRY, UNVDA and CENADEC, as well as 'out-grower' schemes such as those attached to CDC and SOCAPALM. Consequently, farmers will have to assume the full costs of inputs as subsidies are being phased out which have been provided by the state, carry out certain operations (such as spraying pesticides against cocoa and coffee diseases) and be expected to survive with little or no extension. Equally important, a new cooperative law is under elaboration which will guarantee the autonomy of cooperatives, and farmers will be allowed to manage their own affairs. In short, there is a general movement away from the existing paternalistic approach to development.

Finally, in the forestry sub-sector, CENADEFOR and ONAREF have been liquidated and the establishment of inventories and regeneration activities will be handled by the private sector on the basis of large-scale concessions. Only the general conception and regulatory roles are retained by the Forestry Department.

Rationalization of the macro-economic and institutional environment

There has been substantial progress with the rationalization of the macro-economic and institutional environment. In the domain of external trade, QRs were removed for 68 products in June 1989, for a second group of 46 products in February 1990, and for a third group 26 of products in January 1991. Only 16 strategic, mostly agricultural products (for example rice, sugar, vegetable oils and maize) remain subject to QRs. The objective is to replace QRs with tariff protection. Concomitantly, import licences were abolished for all products not subject to QRs. Similarly, price controls were relaxed in January 1989 for all except 35 products and 10 categories of services; during the second phase in June 1989 only 26 products and 7 categories of services were subject to price controls; then in January 1991 the products were reduced to 16. The reforms also provide greater incentives for industrialization and export. A new investment code was adopted in November 1990 with, as major innovations, the elimination of duty exemptions in favour of fiscal advantages, greater competition, utilization of local resources and increased incentives for export. The incorporation of the one-step window (*quichet unique*) in the code ensures the simplification of procedures for creating new businesses and for access to the benefits of the code. Furthermore, export taxes have been eliminated for all exports except timber.

Other reforms under way are aimed at modernizing the legislative environment for business activity. The new labour code aimed at deregulating wages, reducing the cost of labour and facilitating its mobility and productivity is being finalized with bank assistance. Similarly, the general statute for companies (*Statut Général des Entreprises*) and company law (*Code des Sociétés*) are under elaboration and are expected to be adopted by December 1991.

Problems and prospects

The SAP has been beset by a number of problems. First, while the liberalization of external and internal trade is central to the reform programme, the will to change has not always been matched by the ability to effect the change. The capacity of Cameroon producers to adjust to lower levels of protection requires a more detailed analysis to determine the tariff rates necessary to induce progressive adjustment and the effects of over-supply (which give rise to dumping) on the world market. So far there has been insufficient statistical data permitting the monitoring of the effects of liberalization. Similarly, in the liberalization of internal marketing for cocoa and coffee, the main problem is how to go from the existing to the new system. It remains to be seen whether the preconditions for the private sector to operate efficiently exist – including free entry, information, factor mobility, existence of financial markets and access to credit. It is not so much the principle of liberalization as its sequencing, phasing and pace. This point was underscored recently by the fact that the Minister of Industrial and Commercial Development had to re-introduce QRs for some products that had already been liberalized to save the producers from going out of business. This means that if liberalization is not closely monitored it could have disastrous consequences.

Second, adjustment to liberalization is not helped by the fact that it is taking place in the context of an acute financial crisis both for the state and the private sector. The state is not in a position to pay its arrears to the private sector, nor does the liquidity problem of the banking sector permit it to grant loans to the private sector, particularly long-term credit for manufacturing. Furthermore, the state cannot afford the funds with which to rehabilitate the PEs and financial sectors and to finance agricultural research and extension. Third, there has for long been a lack of strong political commitment to the adjustment programme, a lack of policy dialogue between the public and private sectors, and a general lack of confidence in the latter from the former.

'Many in the private sector do not know where the economy is going, as they are unsure about the nature of the rules of the game' (FIAS Report, 1990, p.3). The situation is compounded by the fact that the private sector is generally opposed to the thrust of the liberalization programme (which breaks their monopolistic and oligopolistic power). Fourth, there has been a basic contradiction between the short-term goal of stabilization of macro-economic aggregates generally pursued by the IMF and the medium-term objective growth sought by the World Bank. For example, cuts in the public investment programme have improved the state's financial situation in the short run but compromise growth in the medium run. Fifth, the problem of over-valuation of the CFA franc remains a major counteracting factor to the adjustment effort and demonstrates the limits of internal adjustment. For example, despite the good management of HEVECAM and CDC (which produce rubber) the two PEs remain uncompetitive in the world market. Finally, the advent of multi-party politics and democratization in Cameroon may make it more difficult for political leaders to take tough adjustment measures.

On the positive side, recent experience with the programme seems to show that the crisis may turn out to be a blessing in disguise. In the public sector, the crisis in public finance, the bankruptcy of many PEs and the illiquidity of the banking sector have forced the state to disengage from many activities in favour of the private sector, which would almost never have happened without the crisis. With subsidies cut off, PEs have to survive on their own or die. In the face of massive lay-offs of workers in the private and parastatal sectors, and the existence of widespread unemployment, new recruits (for example, young university graduates) are willing to accept even meagre wages (even before the new liberal labour code is voted in) and public and parastatal staff are willing to accept important cuts in fringe benefits rather than risk the prospect of lay-offs. Political leaders are suddenly realizing that cutting public sector wages is politically less dangerous than not paying wages at all. Thus many components of the reform programme considered only a year ago as revolutionary are now being adopted wholesale. Ironically, therefore, the severity of the crisis may actually result in a faster pace of adjustment. Furthermore, democratization will almost certainly result in a depoliticization of management, and therefore in greater accountability, transparence, efficiency and punishment of poor or corrupt political leaders and managers. Finally, of vital importance for agriculture is the fact that mass unemployment and low wages in the urban sector are bound to force young people to return to agriculture, and there are signs that this is already happening.

NOTES

[1]Cameroon covers an area of 475 000 sq. km and has a population of almost 12 million, with widely varying densities. The country has been referred to as the microcosm of Africa because of its extreme geoclimatic diversity, its complex ethnic compostion (about 200 ethnic groups, speaking 24 major dialects have been identified), making Cameroon the 'racial crossroads of Africa' and because it is the only African country with a triple colonial experience. Cameroon was a German protectorate and subsequently divided between France and Britain.

French and British Cameroons became independent in 1960 and 1961, respectively, and reunified to form modern Cameroon.

[2]This inventory was carried out under the auspices of the Technical Commission for the Rehabilitation of PEs. The 19 are likely to be PEs which were created but have never functioned, or PEs which have ceased activities but are not officially closed.

[3]Agriculture's high share in total PE labour force is to be attributed largely to the Cameroon Development Corporation (CDC) which alone employs over 14 000 workers.

[4]The minor PEs as well as PEs in which the state is a minority shareholder have been omitted owing to space limitations. It should be noted that, even when the state has been a minority shareholder, it has often behaved as though it were a majority shareholder, influencing key decisions.

[5]The Marketing Board was created in British Cameroons in 1955 and the *Caisses de Stabilisation* in French Cameroons in 1957. At independence and reunification of the two Cameroons in 1961 to form a Federal State, the two institutions were maintained. However, in 1976, following the change from a Federal to a Unitary State (in 1972), the Marketing Board and *Caises* were fused to form ONCPB, which was assigned a substantially enhanced role.

[6]For example, in the 1984 investment code, incentives are provided through the different regimes derived from the UNDEAC (*Union Douanière des Etats de l'Afrique Centrale*) general guideliness and the single regional tax (*taxe unique*) and internal turnover tax (*taxe interieure à la production*) regimes which grant import duty exemptions on inputs and a maximum of 5 per cent import duty on capital goods.

[7]Nearly one-third of the products had tariff rates in excess of 70 per cent, while tariff rates on strategic products, which are meant to be banned, vary from 53 per cent to 202 per cent (Maxwell Stamp Associates, 1989, p.8).

[8]These policies had their origin in the colonial period. Following the rocketing inflation and disruptions of the Second World War, the French issued in 1945 an ordinance introducing price controls in all its overseas territories. Similarly, the French also introduced a labour code (*Code de travail Outre mer*) in 1952 which sought to protect the worker from what was seen as the excessive power and abuses of employers.

[9]Agriculture has contributed substantially to the state's budgetary expenditure outside agriculture. For example, in 1978/9 the total contribution of agriculture to the state budget was CFAF 72.6 billion (42.6 billion in the form of export taxes and 30 billion in the form of ONCPB withdrawals), whereas total spending in agriculture by the state was only CFAF 25 billion, leaving a net contribution by agriculture of CFAF 47.6 billion.

[10]The overlapping of two extension systems has resulted in a waste of resources, in power conflicts, and above all in the confusion of farmers. The Ministry of Agriculture organized a seminar in December 1985 to examine this problem, but no lasting solution was found. Now, under the SAP, the solution has been to liquidate the extension PEs and to re-enforce the Ministry of Agriculture's extension system (through the introduction of the Training and Visit System).

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DISCUSSION OPENING – AJA OKORIE*

The value of this paper lies in its comprehensive review of agricultural policies in Cameroon between 1960 and 1990. Description of policy and implementation changes over the period, however, raises issues but does not provide answers. That is evident in the 'problems and prospects' sub-section. The author appears to be presenting World Bank views on structural adjustment in the Cameroon. These are sometimes over-stated. For example, the assertion about over-priced labour and the emphasis placed on increases in nominal personnel costs in public enterprise are both made without consideration of general inflation in the economy. Real wages are ignored. In addition, the increase in unemployment, with its attendant evils, does not seem to be seen as a problem accompanying structural adjustment implementation. The paper also fails to examine the successes or failures of policy reforms in Cameroon, difficult though that might be at such an early stage.

There are some contradictions in the views expressed by the author which need discussion. First, the economy of Cameroon (including the agricultural sector) is said to have done well in the decade 1968–78, which coincides with the period in which most of the agricultural public enterprises (PEs) were created and funded by donor agencies. Subsequent decline could be due to withdrawal of aid and support by donor agencies, and not necessarily to the discovery of oil in 1978 alone, given that it could be argued that high dependency on external funding made the economy of Cameroon highly susceptible to external shocks (see Table 1). These appeared in 1985/6 (resulting from the collapse of the world commodity prices and deterioration of the terms of trade) and, more than any other factor, seem to be primarily responsible for the collapse of the Cameroonian economy.

Related to this is a second point. The author dwells on such issues as 'a distorted and inappropriate macro-economic, institutional and regulatory environment' as a source of difficulty. The crucial point is that he fails to show how distortions and inappropriate policies could possibly have hindered the 'good performance' of the economy between 1960 and 1978. My view is that the problems were basically external rather than internal.

Finally, I have to take issue with the author about his complaint that the pricing of cocoa and coffee, which implicitly involves the taxation of agriculture, has been unwise. This is basically consistent with a once popular theory of economic development in which agriculture is regarded as a source of funding in the critical early stages of growth. Without some reliance on such mechanisms it is difficult to see how another policy failure, namely lack of diversification and industrialization, is avoidable in the 1990s.

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